

**TOWNSHIP OF MONTEREY**  
**ALLEGAN COUNTY, MICHIGAN**  
03-1160  
**FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2004**

## AUDITING PROCEDURES REPORT

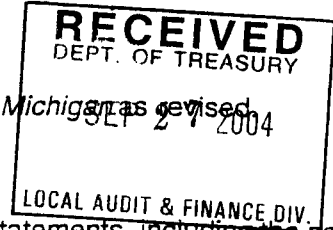
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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Township of Monterey</b>	County <b>Allegan</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>9/10/04</b>	Date Accountant Report Submitted to State: <b>9/22/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Campbell, Angle &amp; Steffes, PC</b>			
Street Address <b>428 Water Street</b>	City <b>Allegan</b>	State <b>MI</b>	ZIP <b>49010</b>
Accountant Signature <i>Theresa E. Steffes CPA, Campbell Angle &amp; Steffes P.C.</i>			

## **TOWNSHIP OF MONTEREY**

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## INDEPENDENT AUDITOR'S REPORT

September 10, 2004

To the Township Board  
Township of Monterey  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Monterey, Allegan County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Monterey Township, Allegan County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Monterey as of March 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments, as of March 31, 2003.

The management's discussion and analysis and budgetary comparison information on pages 2 and 18 through 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

  
Campbell, Angle & Steffes, P.C.  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### **The Township As A Whole**

Monterey Township's financial position has remained steady over the 2003/2004 year. Building permits are level with the 2002/2003 permits. State revenue share has continued to decline.

The Cemetery Trust Fund balance is locked in but the amount of interest available for grave upkeep is declining.

The Building Permit Fund acts primarily as a clearing account - no moneys are kept there.

The Road Fund Budget saw increased activity during 2003/2004 as a sizable donation was received to support the rebuilding and paving of the north one half mile of 32nd Street. Along with completing the 32nd Street project, Monterey Township also paved one mile of 125th Avenue and one mile of 127th Avenue as well as paid to pave the shoulders on one mile of 128th Avenue. Along with the 2002 extra voted millage there was a small carryover into the 2004 budget year.

The General Fund balance is made up from the 2002 operating tax millage collection as well as moneys set aside for roads but was not used in 2002/2003. There were no unusual expenses during 2003/2004.

The 2004/2005 budget is high due to the rebuilding and paving of one mile of 26th Street and the paving of four miles of shoulders on 30th Street. The Township hopes to complete these projects with the 2003 operating and extra voted millage taxes as well as the surplus from the 2003 budget.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Townships finances and to show the Townships accountability for the money it receives. If you have questions or need additional information, we welcome you to contact the Township Supervisor.

**TOWNSHIP OF MONTEREY**  
**GOVERNMENT WIDE STATEMENT OF NET ASSETS**  
**MARCH 31, 2004**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 404,647	\$ 404,647
Investments	0	0
Receivables - net	329,300	329,300
Prepays	2,753	2,753
Capital assets - net	<u>24,698</u>	<u>24,698</u>
 Total Assets	 <u>761,398</u>	 <u>761,399</u>
<b>LIABILITIES</b>		
Accounts payable	0	0
Accrued and other liabilities	271,811	271,811
Noncurrent Liabilities		
Due within one year	0	0
Due in more than one year	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>271,811</u>	 <u>271,811</u>
<b>NET ASSETS</b>		
Invested in Capital Assets		
Net of related debt	24,698	24,698
Restricted For		
Streets and highways	297,507	297,507
Public safety	0	0
Unrestricted	<u>167,382</u>	<u>167,382</u>
 Total Net Assets	 <u>\$ 489,587</u>	 <u>\$ 489,587</u>

**TOWNSHIP OF MONTEREY**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2004**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
					Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>							
General government	93,894	6,092	0	0	(87,802)	0	(87,802)
Public safety	75,463	39,463	0	0	(36,000)	0	(36,000)
Public works	324,883	0	135,097	0	(189,786)	0	(189,786)
Health and welfare	5,000	0	0	0	(5,000)	0	(5,000)
Community/Economic development	4,843	0	0	0	(4,843)	0	(4,843)
Recreation and culture	4,200	0	0	0	(4,200)	0	(4,200)
Total Governmental Activities	508,283	45,555	135,097	0	(327,631)	0	(327,631)
Total Primary Government	\$ 508,283	\$ 45,555	\$ 135,097	\$ 0	(327,631)	0	(327,631)
<b>General Revenues</b>							
Property taxes					308,155	0	308,155
State-shared revenues					162,582	0	162,582
Unrestricted investment earnings					3,335	0	3,335
Rental income					5,650	0	5,650
Miscellaneous					3,806	0	3,806
Transfers					0	0	0
Total General Revenues-Special Items and Transfers					483,528	0	483,528
Change in Net Assets					155,897	0	155,897
Net Assets-Beginning					333,690	0	333,690
Net Assets-Ending					\$ 489,587	\$ 0	\$ 489,587

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**March 31, 2004**

	General Fund	Road Fund	Non-Major Governmental Fund	Total Governmental Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 404,647	\$ 0	\$ 0	\$ 404,647
Investments	0	0	0	0
Receivables - net	30,580	25,771	0	56,351
Due from other funds	1,213	271,736	0	272,949
Prepays	2,753	0	0	2,753
	<u>439,193</u>	<u>297,507</u>	<u>0</u>	<u>736,700</u>
<b>Total Assets</b>				
	<u>439,193</u>	<u>297,507</u>	<u>0</u>	<u>736,700</u>
<b>LIABILITIES</b>				
Accounts payable	0	0	0	0
Due to other funds	271,736	0	0	271,736
Due to other governmental units	75	0	0	75
	<u>271,811</u>	<u>0</u>	<u>0</u>	<u>271,811</u>
<b>Total Liabilities</b>				
	<u>271,811</u>	<u>0</u>	<u>0</u>	<u>271,811</u>
<b>FUND BALANCES</b>				
Reserved for				
Road projects	0	297,507	0	297,507
Public safety	0	0	0	0
Unreserved	167,382	0	0	167,382
	<u>167,382</u>	<u>0</u>	<u>0</u>	<u>167,382</u>
<b>Total Fund Balances</b>				
	<u>\$ 167,382</u>	<u>\$ 297,507</u>	<u>\$ 0</u>	<u>\$ 464,889</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	24,698
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Net Assets of Governmental Activities	<u>\$ 489,587</u>
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The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**March 31, 2004**

	General Fund	Road Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes and penalties	60,216	247,939	0	308,155
Licenses and permits	0	0	39,463	39,463
State aid	162,582	0	0	162,582
Charges for services	6,092	0	0	6,092
Interest and rentals	8,985	0	0	8,985
Other revenue	3,806	135,097	0	138,903
<b>Total Revenues</b>	<b>241,681</b>	<b>383,036</b>	<b>39,463</b>	<b>664,180</b>
<b>Expenditures</b>				
Current				
General government	89,316	0	0	89,316
Public safety	36,000	0	39,463	75,463
Public works	7,078	317,805	0	324,883
Health and welfare	5,000	0	0	5,000
Recreation and cultural	4,200	0	0	4,200
Community/Economic development	4,843	0	0	4,843
Capital outlay	1,050	0	0	1,050
<b>Total Expenditures</b>	<b>147,487</b>	<b>317,805</b>	<b>39,463</b>	<b>504,755</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>94,194</b>	<b>65,231</b>	<b>0</b>	<b>159,425</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	0	0	0	0
Transfers (out)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenue and Other Sources Over (Under)</b>				
<b>Expenditures and Other Uses</b>	<b>94,194</b>	<b>65,231</b>	<b>0</b>	<b>159,425</b>
Fund Balance-April 1, 2003	73,188	232,276	0	305,464
Fund Balance-March 31, 2004	<u>\$ 167,382</u>	<u>\$ 297,507</u>	<u>\$ 0</u>	<u>\$ 464,889</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY**  
**FIDUCIARY FUNDS-STATEMENT OF NET ASSETS**  
**MARCH 31, 2004**

	<u>Cemetery Trust Fund</u>	<u>Agency Fund (Property Tax Collection Fund)</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,325	\$ 1,213
Total Assets	<u>\$ 2,325</u>	<u>\$ 1,213</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 0	\$ 0
Due to other funds	<u>0</u>	<u>1,213</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,213</u>
<b>NET ASSETS</b>		
Held in trust for cemetery care	<u>\$ 2,325</u>	

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY**  
**FIDUCIARY FUNDS-STATEMENT OF CHANGES IN NET ASSETS**  
**MARCH 31, 2004**

	<u>Cemetery Trust Fund</u>
<b>ADDITIONS</b>	
Investment Income	
Interest	<u>\$ 33</u>
Total Investment Income	<u>33</u>
Total Additions	33
<b>DEDUCTIONS</b>	
Other Deductions	
Cemetery care	<u>0</u>
Total Deductions	<u>0</u>
Change in Net Assets	
Net Assets - Beginning of the Year	<u>2,292</u>
Net Assets-End of the Year	<u><u>\$ 2,325</u></u>

The Cemetery Fund CD maintains a cash balance of \$2,236.27 all year. Just after each fiscal year ends, the CD is rolled over to maintain the same cash, and any interest earned at 1.49% is used for grave site flowers. No gain or loss is expected over time.

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Monterey, Allegan County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Monterey conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. The Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund is a Special Revenue Fund of the Township. The Road Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following non-major fund types:

The Building Inspection Fund is a Special Revenue Fund of the Township. The Building Inspection Fund is used to account for all resources of the Township's permits and licenses.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Monterey does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection Fund is a Fiduciary Fund accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. The Cemetery Care Fund is a Fiduciary Fund accountable for care of a specific family gravesite. Funds are restricted for this purpose.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-wide financial statements differ from the Governmental fund financial statements only for the effect of the inclusion of capital assets.

Capitalized Asset Costs	\$ 42,010
Less Accumulated Depreciation	<u>(17,312)</u>
Capital Assets, net	24,698
Governmental Fund Balances	<u>464,889</u>
Net Assets of Governmental Activities	<u>\$ 489,587</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit did not incur expenditures in budgeted funds which were in excess of the amounts appropriated.

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 404,647	\$ 3,538	\$ 408,185

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 408,185
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	-
Total	<u>\$ 408,185</u>

The bank balance of the primary government's deposits is \$408,185, of which \$102,325 is covered by federal depository insurance.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	Major Funds		Non-Major and Other Funds	Total
	General Fund	Road Special Millage		
Taxes receivable	\$ 6,368	\$ 25,771	\$ 0	\$ 32,139
State share revenues receivable	24,212	0	0	24,212
Due from other funds	1,213	271,736	0	272,949
Less: allowance for uncollectibles	0	0	0	0
Net Receivables	<u>\$ 31,793</u>	<u>\$ 297,507</u>	<u>\$ 0</u>	<u>\$ 329,300</u>

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 0	0	0	\$ 0
Construction in Progress	0	0	0	0
Subtotal	0	0	0	0
Capital Assets Being Depreciated				
Buildings & improvements other than building	32,083	0	0	32,083
Machinery and equipment	8,877	1,050	0	9,927
Infrastructure	0	0	0	0
Subtotal	40,960	1,050	0	42,010
Less Accumulated Depreciation for				
Buildings & improvements other than building	6,973	2,652	0	9,625
Machinery and equipment	5,761	1,926	0	7,687
Infrastructure	0	0	0	0
Subtotal	12,734	4,578	0	17,312
Net Capital Assets Being Depreciated	28,226	(3,528)	0	24,698
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 28,226</u>	<u>\$ (3,528)</u>	<u>\$ 0</u>	<u>\$ 24,698</u>

The Township assets have been evaluated according to GASB 34 guidelines. The Township owns cemetery property and an old township hall where historical cost values are unknown. These assets are fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 4,578
Public safety	0
Public works	0
Economic development	0
Recreation and culture	0
Total Governmental Activities	<u>\$ 4,578</u>

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The composition of interfund balances is as follows:

<b>Due To/From Other Funds</b>			
<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	\$ 1,213	Tax Collection	\$ 1,213
Road Special Millage	<u>271,736</u>	General	<u>271,736</u>
Total	<u>\$ 272,949</u>		<u>\$ 272,949</u>

**Interfund Transfers**

<u>Transfers In</u>	<u>Transfers (Out)</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
Road Special Millage Fund	\$ 0	\$ 0	\$ 0
Non-Major Governmental Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF MONTEREY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED MARCH 31, 2004**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 73,188	\$ 73,188	73,188	0
Resources (Inflows)				
Property taxes	62,000	62,000	60,216	(1,784)
State aid	159,500	159,500	162,582	3,082
Licenses and permits	0	0	0	0
Charges for services	7,400	7,400	6,092	(1,308)
Interest and rentals	7,500	7,500	8,985	1,485
Miscellaneous revenues	3,600	3,600	3,806	206
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	313,188	313,188	314,869	1,681
Charges to Appropriations (Outflows)				
General Government				
Township board	15,300	15,700	14,581	1,119
Supervisor	7,000	7,000	7,000	0
Finance	2,300	2,600	2,565	35
Treasurer	11,200	11,200	10,885	315
Assessing	17,000	17,500	13,187	4,313
Clerk	9,200	9,200	8,929	271
Board of review	900	900	846	54
Other General Government				
Building and grounds	4,400	7,500	7,118	382
Attorney	6,000	9,000	7,872	1,128
Cemetery	22,600	22,600	16,333	6,267
Public Safety				
Fire	37,000	37,000	36,000	1,000
Building inspections	0	0	0	0
Public Works				
Roads	0	0	0	0
Transfer station	6,500	7,400	7,078	322
Recreation and culture	9,200	9,200	4,200	5,000
Health and welfare	5,000	5,000	5,000	0
Community/Economic development	10,700	10,700	4,843	5,857
Capital outlay	1,100	1,100	1,050	50
Transfers to other funds	76,300	68,100	0	68,100
Total Charges to Appropriations	241,700	241,700	147,487	94,213
Budgetary Fund Balance-March 31, 2004	\$ 71,488	\$ 71,488	\$ 167,382	\$ 95,894

**TOWNSHIP OF MONTEREY  
BUDGETARY COMPARISON SCHEDULE  
MAJOR ROAD FUND  
YEAR ENDED MARCH 31, 2004**

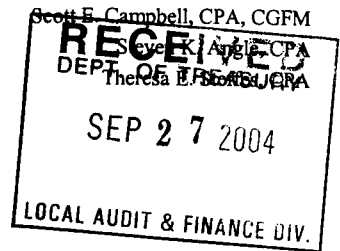
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 232,276	\$ 232,276	\$ 232,276	\$ 0
Resources (Inflows)				
Property taxes	245,000	245,000	247,939	\$ 2,939
Contributions	135,000	135,000	135,097	\$ 97
Transfers In	76,300	68,100	0	\$ (68,100)
Amounts Available for Appropriation	<u>688,576</u>	<u>680,376</u>	<u>615,312</u>	<u>(65,064)</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>365,000</u>	<u>365,000</u>	<u>317,805</u>	<u>47,195</u>
Total Charges to Appropriations	<u>365,000</u>	<u>365,000</u>	<u>317,805</u>	<u>47,195</u>
Budgetary Fund Balance-March 31	<u>\$ 323,576</u>	<u>\$ 315,376</u>	<u>\$ 297,507</u>	<u>\$ (17,869)</u>

# CAMPBELL, ANGLE & STEFFES, P.C.

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Michigan Association of Certified  
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September 10, 2004

In planning and performing the audit of the Financial Statements of the Township of Monterey for the year ended March 31, 2004, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of one matter that is an opportunity to strengthen internal control and increase operating efficiency. We offer the following item for your consideration.

## Uninsured Funds

The Township currently has all of the bank accounts at one bank, United Bank of Michigan, with a total of \$305,860 over the federally insured level as of March 31, 2004. We recommend that no more than \$200,000 be maintained in any one bank, \$100,000 limit each in savings and demand accounts, to avoid risk of uninsured losses that may occur.

## General

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all Township employees and officials.

Respectfully submitted,

*Campbell Angle & Steffes P.C.*

Campbell, Angle & Steffes, P.C.  
Certified Public Accountants